

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
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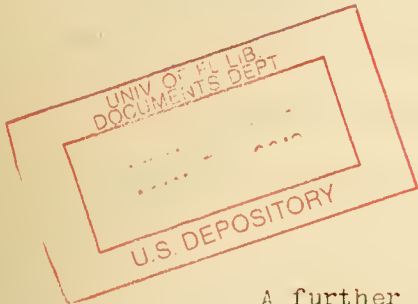
February 18, 1938

T H E H O G S I T U A T I O N

Summary

A further moderate advance in hog prices may occur within the next 2 or 3 months, the Bureau of Agricultural Economics states, as slaughter supplies of hogs are reduced seasonally. The present relatively small stocks of pork in storage also will tend to strengthen prices which farmers may expect to receive for hogs in the late winter and early spring. Seasonal weakness in prices, however, is likely to develop in the late spring and early summer when the market movement of fall pigs gets under way in large volume.

The number of hogs slaughtered under Federal inspection in the first 4 months of the current marketing year, which began last October, was about 1.8 million head smaller than in the same period of 1936-37. For the remainder of the marketing year, through September, it is expected that farmers will send more hogs to market than a year earlier. Most of this increase in slaughter supplies probably will occur during the period from May through August. With consumer demand for hog products weaker this year than last, it is probable that prices received for the larger supplies of hogs in the coming summer will average considerably lower than the high average price of last summer.



During the last half of January and in early February hog prices went up somewhat, following the marked decline from mid-August through December. The strength in hog prices during January was accompanied by the largest monthly hog marketings since December 1936 and reflected partly the improvement in storage demand for hog products. The increase in stocks of pork and lard during January was larger than average, but stocks on February 1 were still relatively small.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND.- From mid-October through November 1937 hog prices declined from about \$13 to \$8, one of the greatest declines on record for the period. This drop in prices reflected: (1) The much larger-than-usual seasonal increase of slaughter supplies of hogs in the fall and early winter; (2) the weakening in consumer demand for meats and lard since late summer; (3) the weak storage demand for hog products, which in turn reflected partly the prospects for larger slaughter supplies of hogs in the spring and summer of this year than a year earlier; and (4) the much larger supplies of cottonseed oil available from the record cotton crop of 1937.

Hog prices rise in late January and early February

Hog prices advanced moderately in late January and early February after having declined slightly a month earlier. The recent rise in prices apparently was the result of some strengthening in the storage demand for hog products, although marketings of hogs were reduced somewhat in early February. The spread between prices of light and heavy hogs continued unusually wide in January, chiefly because of the relatively large proportion of heavy hogs in the market supplies.

Slaughter supplies of hogs increased further in January. Inspected hog slaughter for the month totaled 4,201,000 head, which was 6 percent larger than in December and 19 percent greater than in January last year. January was the first month in the current marketing year to show an increase in hog slaughter over the corresponding month a year earlier. Inspected slaughter in January was the largest for the month since 1934, although it was smaller than that in January of most years prior to 1934.

The seasonal increase in slaughter supplies from late summer to early winter was much greater than usual. And in January the number slaughtered was more than 2-1/2 times larger than the relatively small slaughter of last August. On the average, slaughter in January is less than twice as large as in August.

Inspected hog slaughter, by months, October - January,
average 1929-33, and 1935-36 to 1937-38

Month	Average			
	: 1929-30 to :		: 1935-36 : 1936-37 : 1937-38	
	: 1933-34 :		:	
	Thousands	Thousands	Thousands	Thousands
Oct.	3,557	2,135	3,492	2,711
Nov.	4,204	2,422	4,292	3,295
Dec.	4,346	2,875	4,681	3,958
Jan.	5,096	3,428	3,519	4,201
Total.....	17,703	10,860	15,984	14,165

Bureau of Animal Industry.

Average weights heavy in January

Average weights of hogs marketed have continued to increase. The average weight at the seven leading markets for January was about 240 pounds, or more than 20 pounds above the average a year earlier. Weights of hogs marketed in December, also, were above average for the month. The heavier weights in recent months over a year earlier reflect the much larger supplies and lower prices of corn and other feeds this year.

Prices of hog products advance in January

Wholesale prices of most cuts of fresh and cured pork were steady to higher during January. Lard prices also strengthened slightly during the first half of the month. Prices of all hog products, however, are now considerably lower than a year earlier.

Storage stocks increase during January

Storage stocks of pork and lard increased considerably during January. Pork stocks on February 1 totaled 553 million pounds, or 39 percent larger than on January 1, but they were much smaller than a year earlier. Lard stocks on February 1 were nearly double those of January 1, but they were considerably smaller than the stocks on February 1 last year. The increase in stocks during January reflected partly the larger hog slaughter than in the preceding month, but it also appeared to be partly the result of some improvement in storage demand. Inspected hog slaughter in January was only 6 percent larger than in December but the increase in pork stocks in January was 155 million pounds compared with an increase of 92 million pounds in December. The improvement in storage demand is also indicated by the fact that despite the larger slaughter in January than in December, hog prices tended to strengthen in contrast to the declining trend a month earlier.

Storage holdings of pork and lard on the first of the month,
October-February, average 1929-33, 1936-37 and
1937-38

Month	: 5-year average : : 1929-30 to 1933-34: 1936-37 : 1937-38					
	: Pork	: Lard	: Pork	: Lard	: Pork	: Lard
	: Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.
Oct. 1	530	109	362	102	283	73
Nov. 1	431	69	355	95	266	39
Dec. 1	446	56	463	109	307	34
Jan. 1	565	72	667	146	399	54
Feb. 1	679	91	739	183	<u>1/</u> 553	<u>1/</u> 97
:						

1/ Preliminary.

The number of hogs slaughtered under Federal inspection from October through January 1937-38 was 11 percent smaller than that of the corresponding 1936-37 period, but the total dressed weight of inspected hog slaughter was only 5 percent smaller. The increase in stocks of pork and lard from October through January was much less than in 1936-37. The smaller movement of hog products into storage about offset the decrease in the total dressed weight of inspected hog slaughter, and the movement of hog products into consumption from October through January was about the same as that of a year earlier.

Stocks, production, exports, imports, and apparent consumption of
federally inspected hog products, October - January,
average 1929-33, 1936-37 and 1937-38

Period	Oct. - Jan.						Apparent
	Stocks,	Production:			Stocks:	consumption	
	Oct. 1	(dressed	Exports:	Imports:	Feb. 1	Oct.-	
		weight)				Jan.	
	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	
Average,							
1929-30 to							
1933-34	639	2,993	290	2	770	2,574	
1936-37	463	2,537	57	19	921	2,041	
1937-38 <u>1/</u>	355	2,415	109	22	650	2,033	

1/ Preliminary.

Hog-corn price ratio continues above average

Corn prices declined somewhat in January and early February and this along with the strengthening in hog prices resulted in some increase in the hog-corn price ratio. Based on average prices of corn and hogs at Chicago, the ratio was 14.4 the first week in February compared with 13.0 a month earlier, and 9.2 a year earlier. The long-time average ratio based on Chicago prices is about 11.4. As was indicated in the January issue of this report, the ratio between the price of light hogs and the price of corn is somewhat higher than the ratio between the price of heavy hogs and the price of corn.

Further increase in lard exports during December

Exports of lard continued to increase in December. The total exported about 22 million pounds, was larger than that of November and more than double that of December 1936. Practically all of the increase in shipments compared with those in November went to Great Britain, that country taking about 13 million pounds. Exports to Cuba totaled nearly 5 million pounds. The increase in lard exports since September probably reflects to a considerable extent the increase in lard production during the fall and winter and the large supplies of cottonseed oil.

Exports of pork in December, slightly more than 7 million pounds, were a little smaller than in November, but they were considerably larger than in December 1936. As in November, the reported weight of pork exports in December exceeded the pork imports of about 5 million pounds.

The yearly exports of pork and lard and imports of pork for the period 1933-37 are given in the following table.

Exports of pork and lard and imports of pork, 1933-37

Year	Exports		Imports of pork
	Pork	Lard	
	Mil.lb.	Mil.lb.	Mil.lb.
1933.....	142	583	3
1934.....	151	435	2
1935.....	89	97	10
1936.....	67	112	42
1937.....	63	137	75

United States Department of Commerce. Pork includes bacon, hams, and shoulders, and fresh, canned, and pickled pork. Lard includes neutral lard.

OUTLOOK

BACKGROUND.— In the January issue of this report the following conclusions were stated with respect to the outlook for supplies and prices of hogs for the current hog marketing year, ending September 30, 1938; (1) the total live weight of inspected hog slaughter for 1937-38 will be as large or larger than that of 1936-37; (2) consumer demand for hog products in 1937-38 will be weaker than in 1936-37; and (3) with supplies as large as or larger than in 1936-37 and consumer demand weaker, hog prices in 1937-38 are expected to average lower than in the preceding year.

Larger marketings than year earlier expected, February through September

Inspected hog slaughter from October through January was about 1.6 million head smaller than that of a year earlier. Slaughter in this period was somewhat larger than was expected earlier, partly because a fairly large number of 1936 fall pigs were marketed after September; it is also possible that a considerable number of 1937 spring pigs have been marketed earlier than was anticipated.

In the annual outlook report for hogs, as summarized in the November issue of this report, it was indicated that inspected hog slaughter for the year beginning on October 1, 1937, would be between 32 and 33 million head. The 1937 fall pig crop, although slightly smaller than that of 1936, was estimated to be slightly larger than appeared probable when the November report was released. In view of the fact that the fall pig crop and October-January slaughter were both larger than had been expected earlier, it now appears probable that the number of hogs slaughtered under Federal inspection in the current hog marketing year will be about as large as the slaughter in 1936-37 of about 34 million head.

With the number of hogs slaughtered for the entire year 1937-38 expected to be not greatly different from that of 1936-37, slaughter from February through September this year probably will be larger than that of a year earlier. Most if not all of this increase, however, is expected to occur from May through September. Last year slaughter was very small during this period chiefly because a large number of fall pigs, which are normally marketed in that period, were marketed before May and after September as a result of the short supplies and high prices of feeds. The 1937 fall pig crop was only slightly smaller than that of 1936, but with much larger feed supplies fall pigs probably will be marketed in greatest volume during the late spring and early summer after a normal feeding period.

If total hog marketings during the next 2 or 3 months should be no larger than those of a year earlier as now seems probable, there will be a considerable seasonal decrease in hog marketings from January levels. Reports as to hog slaughter in the various regions indicate that a fairly large proportion of the 1937 spring pigs already have been marketed, and large marketings of fall pigs probably will not occur before April. But if the bulk of the fall pigs are marketed in the late spring and summer, there will be a fairly large seasonal increase in hog marketings after April.

During the remainder of the current marketing year the extent of the increase in hog marketings over a year earlier, particularly in the summer months, will depend partly upon crop conditions in 1938. Favorable crop prospects would cause the retention of increased numbers of sows for fall farrow, thereby reducing marketings somewhat, while unfavorable crop conditions probably would result in considerable liquidation of both sows and pigs.

Larger hog marketings to be partly offset by smaller storage stocks.

Although no very accurate estimate can now be made of the increase in marketings over a year earlier during the remainder of the 1937-38 hog marketing year, this increase will be partly offset by the smaller stocks of pork and lard now on hand. On February 1 the decrease in stocks of pork and lard from the stocks on hand on February 1, 1937, was equivalent to the products of about 1.6 million hogs of average market weight.

Further advance in hog prices expected this spring

In view of the expected seasonal decrease in hog marketings and the present relatively small stocks of pork on hand, hog prices may rise somewhat further within the next 2 or 3 months. But if the present weak consumer demand continues, prices probably will decline in the late spring and summer, when the market movement of fall pigs gets under way in large volume.

As hog marketings during the summer season are expected to be larger than a year earlier and consumer demand for hog products is likely to be weaker, the average of hog prices for the summer (May - September) probably will be considerably lower than the average of about \$11.15 last summer.

Seasonal changes in hog prices in 1938 to differ from 1937

The changes in hog prices from month to month during the remainder of the present marketing year are likely to be much different from the changes in the corresponding period of last year. From February through April last year, hog prices were fairly steady, whereas some advance in probable within the same period this year. From mid-May to mid-August 1937, prices experienced one of the sharpest advances for that period on record. Although some advance may occur in the late summer of this year, it will not be nearly so marked as that in July and August last year.

Annual Livestock Inventory, January 1

The annual report of livestock numbers on farms January 1, and of value per head, was released by the Crop Reporting Board February 17. Copies may be obtained on request to the Division of Economic Information, Bureau of Agricultural Economics, Washington, D. C.

The number of hogs on January 1, 1938 was estimated at 44,418,000 head. This was 1,470,000 head or 3.3 percent larger than a year earlier and the largest number since January 1, 1934, but the number was still much below that of any year in the 30-year period before 1935. Nearly all of the increase occurred in the North Central (Corn Belt) States with numbers little changed in other areas. The value per head of \$11.21 on January 1 was 68 cents lower than a year earlier and the total value of \$498,025,000 was about \$12,500,000 less.

Supplies of hogs and hog products, specified periods

						Oct.-Sept.		Oct.-Dec.	
						Average:			
Item	Unit	Dec.:	Nov.:	Dec.:	1928-29:	1935-	1936-		
		1936:	1937:	1937:	to	36	37	1936	1937
					1932-33:				
Hog slaughtered									
under Federal									
inspection -	Thou-								
Number slaughtered ^{1/}	sands:	4,681	3,295	3,958	46,363	31,022	34,142	12,464	9,964
Live weight:									
Average	Pound	215	225	229	231	232	221	213	227
Total.....	Mil.lb.	1,008	741	906	10,723	7,191	7,538	2,657	2,258
Dressed weight:									
Average	Pound	161	167	172	175	175	164	158	169
Total.....	Mil.lb.	751	549	681	8,069	5,402	5,586	1,967	1,682
Yield of lard per									
100 pounds live									
weight of hogs....	Pound	11.8	11.6	12.4	15.2	12.1	10.9	11.3	11.2
Production of lard..	Mil.lb.	118	85	112	1,630	870	833	302	256
Apparent consumption-									
Pork, including									
lard ^{2/}	do.	502	493	546	7,171	5,124	5,601	1,586	1,522
Lard	do.	72	73	70	961	712	756	228	216
Exports: ^{3/}									
Pork	do.	4	8	7	211	69	59	15	20
Lard	do.	9	18	22	657	101	107	30	60
Imports of pork ^{3/}	do.	6	5	5	6	32	72	13	16
Proportion of sows in:									
inspected									
slaughter ^{4/}	Percent:	47.9	49.1	44.8	51.2	52.0	51.1	49.8	48.4

^{1/} Bureau of Animal Industry.^{2/} Represents apparent disappearance of federally inspected pork plus unrendered hog fats.^{3/} United States Department of Commerce. Pork includes bacon, hams, and shoulders, and fresh, canned, and pickled pork. Lard includes neutral lard.^{4/} Includes gilts.

Prices of hogs and hog products, specified periods

Item	Unit	Jan.: 1937	Dec.: 1937	Jan.: 1938	Oct.-Sept.			Oct.-Jan.	
					Average:				
					1928-29:	1935-:	1936-:	1936-:	1937-
					to	36	37	37	38
					1932-33:	::	:	:	:
Average price of	Dollars:								
hogs:	per 100:								
Seven markets	pounds	10.04	7.74	7.81	<u>1/</u>	9.64	10.28	9.56	8.44
Chicago	do.	10.24	7.90	7.91	6.99	9.90	10.49	9.81	8.62
U. S. average price	:								
received by farmers ..	do.	9.40	7.54	7.59	6.48	9.15	9.66	9.10	8.29
Prices of hog products,:	:								
Chicago:	:								
Loins, 8-10 lb.	do.	18.76	16.08	15.45	17.07	21.21	22.29	18.29	17.98
Hams, smoked, reg. :	:								
No.1 , 10-12 lb. :	do.	23.38	22.40	23.56	20.31	26.58	24.65	23.40	23.83
Bacon, smoked, No. 1:	:								
dry cured, 6-8 lb. :	do.	27.62	27.25	27.69	23.71	30.86	28.58	27.30	29.20
Lard, refined, :	:								
H. W. tubs	do.	14.00	9.78	10.06	9.68	12.65	13.13	13.18	10.80
Average price of No. 3 :	Cents :								
Yellow corn, Chicago	per lb.:	112	56	59	62	74	115	108	58
Hog-corn price ratio: <u>2/</u> :	:								
Chicago	Bushel	9.1	14.1	13.3	11.6	14.1	9.2	9.1	14.7
North Central States	do.	9.4	16.8	15.8	12.9	15.8	9.5	9.4	17.7
Proportion of packing :	:								
sows in total packer :	:								
and shipper purchases,:	:								
seven markets <u>3/</u>	Percent:	4.0	5.0	3.0	<u>1/</u>	16.0	15.0	7.0	8.0
Average weight at	:								
seven markets	Pound	218	233	240	<u>1/</u>	241	231	213	234
	:								
	:								
	:								

1/ Not available.2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.3/ Monthly figures computed from weekly averages.